

CONSOLIDATED FINANCIAL STATEMENTS

**COMMUNITY ORGANIZATIONS
ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY**

June 30, 2018 and 2017

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**BROWN
THORNTON ♦ PACENTA
& Company, P.A.**

Certified Public Accountants

Business & Financial Consultants

Michael D. Thornton, Shareholder
Jan M. Pacenta, Shareholder
Catherine T. Bond, Officer
John R. Dunaway, Of Counsel
Russell F. Lentz, Officer
Sean K. Quigley, Officer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Organizations Active in Disasters, Inc.
and Subsidiary

We have audited the accompanying consolidated financial statements of Community Organizations Active in Disasters, Inc. (a nonprofit organization) and Subsidiary, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Organizations Active in Disasters, Inc. and Subsidiary as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown Thornton Paccetta & Company, P.A.

Pensacola, Florida
November 30, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

June 30, 2018 and 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 298,938	\$ 385,052
Accounts receivable, net of allowance for uncollectable accounts of \$1,208 and \$1,208	28,952	22,272
Contracts receivable	7,054	1,191
Grants receivable	12,571	6,495
Prepaid expenses	14,227	5,540
Property and equipment, net	563,132	577,903
Property held for lease, net	<u>622,628</u>	<u>558,537</u>
 Total assets	 <u>\$ 1,547,502</u>	 <u>\$ 1,556,990</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 37,568	\$ 16,631
Accrued expenses	13,363	12,760
Equipment note payable	2,911	4,309
Note payable to Escambia County	300,000	300,000
Contingent note payable to Escambia County	<u>746,667</u>	<u>840,000</u>
 Total liabilities	 1,100,509	 1,173,700
NET ASSETS		
Unrestricted	416,113	331,377
Temporarily restricted	<u>30,880</u>	<u>51,913</u>
 Total net assets	 <u>446,993</u>	 <u>383,290</u>
 Total liabilities and net assets	 <u>\$ 1,547,502</u>	 <u>\$ 1,556,990</u>

See independent auditor's report and accompanying notes.

CONSOLIDATED STATEMENT OF ACTIVITIES
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 21,483	\$ 1,000	\$ 22,483
Donated services and other in-kind contributions	138,513	-	138,513
Contract revenue	27,667	-	27,667
Grant revenue	189,846	-	189,846
Rent	447,657	-	447,657
Interest income	79	-	79
Loss on disposal of property held for lease	(2,989)	-	(2,989)
Other income (expense)	(200)	-	(200)
Special events	4,642	-	4,642
Net assets released from restrictions	<u>22,033</u>	<u>(22,033)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	848,731	(21,033)	827,698
EXPENSES			
Program services			
Heritage Oaks	499,543	-	499,543
Preparedness and mitigation	62,059	-	62,059
Response and Deepwater Horizon	46,519	-	46,519
Recovery	91,231	-	91,231
Faith-Based	<u>18,848</u>	<u>-</u>	<u>18,848</u>
Total program services	718,200	-	718,200
Supporting services			
General and administrative	39,563	-	39,563
Fundraising	<u>6,232</u>	<u>-</u>	<u>6,232</u>
Total supporting services	<u>45,795</u>	<u>-</u>	<u>45,795</u>
TOTAL EXPENSES	<u>763,995</u>	<u>-</u>	<u>763,995</u>
CHANGE IN NET ASSETS	84,736	(21,033)	63,703
NET ASSETS, BEGINNING OF YEAR	<u>331,377</u>	<u>51,913</u>	<u>383,290</u>
NET ASSETS, END OF YEAR	<u><u>\$ 416,113</u></u>	<u><u>\$ 30,880</u></u>	<u><u>\$ 446,993</u></u>

See independent auditor's report and accompanying notes.

CONSOLIDATED STATEMENT OF ACTIVITIES
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 39,823	\$ 3,186	\$ 43,009
Donated services and other in-kind contributions	145,657	-	145,657
Contract revenue	53,310	-	53,310
Grant revenue	189,702	-	189,702
Rent	392,842	-	392,842
Interest income	99	-	99
Loss on disposal of property held for lease	(5,041)	-	(5,041)
Other income	45,746	-	45,746
Special events	11,059	-	11,059
Net assets released from restrictions	<u>48,959</u>	<u>(48,959)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	922,156	(45,773)	876,383
EXPENSES			
Program services			
Heritage Oaks	379,747	-	379,747
Preparedness and mitigation	61,431	-	61,431
Response and Deepwater Horizon Recovery	82,476	-	82,476
Faith-Based	149,032	-	149,032
	<u>15,402</u>	<u>-</u>	<u>15,402</u>
Total program services	688,088	-	688,088
Supporting services			
General and administrative	44,981	-	44,981
Fundraising	6,678	-	6,678
	<u>51,659</u>	<u>-</u>	<u>51,659</u>
TOTAL EXPENSES	<u>739,747</u>	<u>-</u>	<u>739,747</u>
CHANGE IN NET ASSETS	182,409	(45,773)	136,636
NET ASSETS, BEGINNING OF YEAR	<u>148,968</u>	<u>97,686</u>	<u>246,654</u>
NET ASSETS, END OF YEAR	<u>\$ 331,377</u>	<u>\$ 51,913</u>	<u>\$ 383,290</u>

See independent auditor's report and accompanying notes.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

Year Ended June 30, 2018

	Heritage Oaks	Preparedness & Mitigation	Response & Deepwater Horizon	Recovery	Faith-Based	Total Program Services	General & Administrative	Fund Raising	Total Supporting Services	Total Expenses
Accounting and legal	\$ 15,077	\$ 1,797	\$ 1,918	\$ 3,655	\$ 483	\$ 22,930	\$ 1,206	\$ -	\$ 1,206	\$ 24,136
Annual meeting	537	316	759	1,012	253	2,877	189	95	284	3,161
Bank charges	-	-	-	-	-	-	12	-	12	12
Depreciation	47,816	-	-	-	-	47,816	491	-	491	48,307
Direct assistance	1,463	-	-	19,327	-	20,790	-	-	-	20,790
Insurance	9,269	662	-	-	-	9,931	1,104	-	1,104	11,035
Interest	9,000	-	-	-	-	9,000	-	-	-	9,000
Management fee	22,977	-	-	-	-	22,977	-	-	-	22,977
Marketing and promotions	713	319	467	418	172	2,089	-	368	368	2,457
Membership dues	207	74	231	140	58	710	116	-	116	826
Office	3,615	2,009	2,544	2,276	937	11,381	1,123	-	1,123	12,504
Outside contract services	16,619	154	214	2,041	265	19,293	1,015	-	1,015	20,308
Personnel	184,627	47,062	32,581	54,302	10,860	329,432	28,961	3,620	32,581	362,013
Postage	37	22	96	42	17	214	33	34	67	281
Printing and copying	447	344	114	458	161	1,524	284	224	508	2,032
Program supplies	878	1,240	430	480	372	3,400	-	-	-	3,400
Rent	5,657	3,771	3,771	3,771	3,771	20,741	2,359	471	2,830	23,571
Repairs and maintenance	48,036	2	2	2	2	48,044	9	-	9	48,053
Special events	382	625	410	649	179	2,245	-	-	-	2,245
Taxes and licenses	3,893	-	-	-	-	3,893	432	-	432	4,325
Telephone	3,091	1,036	959	1,182	686	6,954	774	-	774	7,728
Training and development	29	14	65	29	7	144	36	-	36	180
Travel and meetings	1,877	2,612	1,958	1,447	625	8,519	1,419	1,420	2,839	11,358
Utilities	123,296	-	-	-	-	123,296	-	-	-	123,296
Total	\$ 499,543	\$ 62,059	\$ 46,519	\$ 91,231	\$ 18,848	\$ 718,200	\$ 39,563	\$ 6,232	\$ 45,795	\$ 763,995

See independent auditor's report and accompanying notes.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

Year Ended June 30, 2017

	Heritage Oaks	Preparedness & Mitigation	Response & Deepwater Horizon	Recovery	Faith-Based	Total Program Services	General & Administrative	Fund Raising	Total Supporting Services	Total Expenses
Accounting and legal	\$ 25,613	\$ 2,970	\$ 5,381	\$ 4,652	\$ 788	\$ 39,404	\$ 2,074	\$ -	\$ 2,074	\$ 41,478
Annual meeting	1,431	842	2,038	2,683	673	7,667	500	250	750	8,417
Bank charges	-	-	-	-	-	-	167	-	167	167
Depreciation and amortization	52,595	-	-	-	-	52,595	531	-	531	53,126
Direct assistance	7,653	9,242	6,402	69,834	-	93,131	-	-	-	93,131
Insurance	6,350	425	-	-	-	6,775	753	-	753	7,528
Interest	9,750	-	-	-	-	9,750	-	-	-	9,750
Management Fee	20,687	-	-	-	-	20,687	-	-	-	20,687
Marketing and promotions	596	274	384	349	139	1,742	-	308	308	2,050
Membership dues	485	168	554	335	134	1,676	296	-	296	1,972
Office	4,228	2,311	2,899	2,622	1,049	13,109	2,312	-	2,312	15,421
Outside contract services	9,656	644	1,287	644	644	12,875	677	-	677	13,552
Personnel	106,272	36,733	52,488	59,883	6,733	262,109	32,532	4,500	37,032	299,141
Postage	41	24	108	48	19	240	39	40	79	319
Printing and copying	487	269	460	338	135	1,689	320	242	562	2,251
Program supplies	1,393	819	3,687	1,639	655	8,193	-	-	-	8,193
Rent	5,273	3,390	3,390	3,391	3,390	18,834	2,471	342	2,813	21,647
Repairs and maintenance	37,375	111	501	223	89	38,299	196	-	196	38,495
Special events	41	25	110	49	20	245	-	-	-	245
Taxes and licenses	2,349	-	-	-	-	2,349	261	-	261	2,610
Telephone	3,305	1,376	1,253	1,127	451	7,512	834	-	834	8,346
Training and development	20	10	45	20	5	100	24	-	24	124
Travel and meetings	1,016	1,798	1,489	1,195	478	5,976	994	996	1,990	7,966
Utilities	83,131	-	-	-	-	83,131	-	-	-	83,131
Total	\$ 379,747	\$ 61,431	\$ 82,476	\$ 149,032	\$ 15,402	\$ 688,088	\$ 44,981	\$ 6,678	\$ 51,659	\$ 739,747

See independent auditor's report and accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 63,703	\$ 136,636
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	48,307	53,126
Forgiveness of contingent note payable	(93,333)	(93,333)
Loss on disposal of property held for lease	2,989	5,041
(Increase) decrease in operating assets:		
Accounts receivable	(6,680)	(5,525)
Contracts receivable	(5,863)	15,817
Grant receivable	(6,076)	(3,214)
Prepaid expenses	(8,687)	(4,159)
Increase (decrease) in operating liabilities:		
Accounts payable	20,937	(5,918)
Accrued expenses	603	(15,089)
	15,900	83,382
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of property and equipment	(6,180)	-
Cash paid for purchase of property held for lease	(94,436)	-
	(100,616)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(1,398)	(1,281)
	(1,398)	(1,281)
NET INCREASE (DECREASE) IN CASH	(86,114)	82,101
Cash, beginning of year	385,052	302,951
Cash, end of year	\$ 298,938	\$ 385,052

See independent auditor's report and accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

Community Organizations Active in Disasters, Inc. was formed in April 2006, as a nonprofit organization in the State of Florida. The Organization is made up of a local network that links community, governmental, and faith-based organizations, businesses, and volunteers during disasters to address emergency management issues. The Organization receives funding for its programs through rental income, governmental grants, reimbursable contracts, and financial and in-kind donations.

The consolidated financial statements include BRACE, LLC, a wholly owned subsidiary of Community Organizations Active in Disasters, Inc. During the fiscal year ended June 30, 2010, BRACE, LLC purchased Heritage Oaks Mobile Home Park with funding received through Escambia County to assist in preserving and providing long-term affordable rental and privately owned residences for Escambia County, Florida residents.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting - The Organization prepares their financial statements on the accrual basis of accounting, following accounting principles generally accepted in the United States of America for nonprofit organizations.
2. Principles of Consolidation - These consolidated financial statements include the balances and financial activities of Community Organization Active in Disasters, Inc. and BRACE, LLC (the Organization). All material inter-company balances and transactions are eliminated in the consolidation.
3. Financial Statement Presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - Currently available for use under direction of the Board.

Temporarily Restricted Net Assets - Restricted by donors for specific purposes or future periods.

Permanently Restricted Net Assets - Restricted by donors in perpetuity. The Organization had no permanently restricted net assets at June 30, 2018 and 2017.

4. Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Organization considers all liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2018 and 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Accounts Receivable - Accounts receivable is stated at unpaid balances and are presented net of an allowance for uncollectable accounts. The allowance for uncollectable accounts is based on historical experience, coupled with a review of the current status of existing receivables. Receivables will be charged off in the period in which management determines the receivable to be uncollectable. Recoveries of receivables previously charged off are recorded as income when received.
6. Property and Equipment and Property Held for Lease - Acquisitions of furniture and equipment of \$5,000 or more are capitalized at cost or, if donated, at estimated fair market value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided on the straight-line basis over estimated useful lives of the assets as follows:

Buildings and building improvements	39 years
Land improvements	7 - 20 years
Furniture and equipment	5 - 7 years
Computer, software, and website	3 - 5 years
Property held for lease	7 - 27 ½ years

7. Contingent Note Payable to Escambia County - As explained in Note F, the Organization has a contingent note payable to Escambia County for Neighborhood Stabilization Program (NSP) funds received from the County and used to acquire and operate Heritage Oaks Mobile Home Park in accordance with a Development Agreement between the County and the Organization.

The Organization has every intention of complying with all the requirements of the Development Agreement and the related mortgage note payable. In that case, the conditional note payable will not bear any interest and will be forgiven \$93,333 each year for fifteen years, until it is completely satisfied. Beginning with the fiscal year ended June 30, 2012, the forgiven amount of \$93,333 has been recorded as grant revenue.

8. Contributions - Contributions made and received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

When a donor-stipulated time restriction expires or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

9. Grants - The Organization records grant revenue over the period of the award and the provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred. Amounts that have been awarded and earned but not received are recorded as grants receivable.
10. Advertising Expense - The Organization uses advertising to promote its programs among the audiences they service. The costs in purchasing advertising and promotions are expensed when incurred. The Organization expensed \$2,457 and \$2,050, for the fiscal years ended June 30, 2018 and 2017, respectively. These costs are recorded as marketing and promotions expense in the consolidated statement of functional expenses.
11. In-kind Contributions and Services - Contributed goods and services are reflected in the accompanying consolidated statement of activities at their estimated values on date of receipt.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, which are performed by people with those skills, and would otherwise be purchased by the Organization.

12. Allocation of Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Costs are charged to program services, management, and general based on direct expenditures incurred. Expenses not directly chargeable to these functional categories have been estimated and allocated among the programs and supporting services benefited based on management's best judgment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Use of Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
14. Income Tax - Community Organizations Active in Disasters, Inc. and Subsidiary file a consolidated tax return. Community Organizations Active in Disasters, Inc. is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported entity, which is not a private foundation under Section 509(a) of the Code.

BRACE, LLC is a single member LLC as defined by Reg. 301.7701-3(b), and is a wholly owned subsidiary of Community Organizations Active in Disasters, Inc. Pursuant to this regulation, BRACE, LLC is disregarded as a separate entity and is treated as a component of Community Organizations Active in Disasters, Inc. Accordingly, no provision for income taxes is included in the consolidated financial statements.

Tax-exempt nonprofit entities such as Community Organizations Active in Disasters, Inc. may have tax positions that require evaluation for uncertainty. For example, a tax position might be the entity's status as tax exempt. In addition, a tax position might involve unrelated business income subject to income taxes. The Organization believes that any tax positions it has taken or expects to take that are more-likely-than-not sustainable, as described in the Codification, would not be material to the financial statements taken as a whole. Accordingly, no liability has been provided for unrecognized tax benefits, nor has any interest or penalty been accrued.

The Organization's information and tax returns for the years ended June 30, 2016 through 2018 are subject to examination by the Internal Revenue Service and state authorities, generally for three years after they were filed.

15. Comparative Financial Information - Certain accounts and activities in the prior year information have been reclassified to conform to the presentation in the current year financial statements.
16. Events Occurring After the Reporting Date - The Organization has evaluated events and transactions that occurred between June 30, 2018 and November 30, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

NOTE C - PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 629,299	\$ 634,396
Building and building improvements	17,888	17,888
Furniture and equipment	18,228	12,047
Computer software and website	<u>30,797</u>	<u>30,797</u>
	696,212	695,128
Less accumulated depreciation	<u>(133,080)</u>	<u>(117,225)</u>
Property and equipment, net	<u>\$ 563,132</u>	<u>\$ 577,903</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$17,962 and \$18,638, respectively.

NOTE D - PROPERTY HELD FOR LEASE

The following is a summary of property held for lease as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Temporary housing units	\$ 307,111	\$ 307,111
Unit improvements	547,935	461,478
Construction in progress	<u>13,222</u>	<u>5,244</u>
	868,268	773,833
Less accumulated depreciation	<u>(245,640)</u>	<u>(215,296)</u>
Property held for lease, net	<u>\$ 622,628</u>	<u>\$ 558,537</u>

Depreciation on the property held for lease during the fiscal years ended June 30, 2018 and 2017 was \$30,345 and \$34,488, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

NOTE D - PROPERTY HELD FOR LEASE (Continued)

The Organization leases temporary housing units and travel trailers that they own through Heritage Oaks Mobile Home Park. Other units in the Park are owned by the tenants. Certain units were undergoing construction at June 30, 2018 and 2017.

NOTE E - EQUIPMENT NOTE PAYABLE

The Organization's equipment note payable at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Note with financial institution, monthly payments of \$116, non-interest bearing, through July 2020, collateralized by equipment with a net book value of \$3,168	<u>\$ 2,911</u>	<u>\$ 4,309</u>

A schedule of maturity of the note payable is as follows:

Year Ending June 30,		Amounts
2019	\$	1,397
2020		1,397
2021		117
Thereafter		-
		<u>\$ 2,911</u>

NOTE F- CONTINGENT NOTE PAYABLE TO ESCAMBIA COUNTY

Escambia County advanced Neighborhood Stabilization Program (NSP) funds to the Organization in accordance with a Development Agreement between the County and the Organization. The NSP funds were provided as long-term financing for the acquisition and management of Heritage Oaks Mobile Home Park, including the preliminary expenditures. This included outlays related to the negotiations in connection with the acquisition of the foreclosed property, as well as infrastructure improvements, and securing and transporting manufactured housing units to the Park.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
AND SUBSIDIARY

NOTE F - CONTINGENT NOTE PAYABLE TO ESCAMBIA COUNTY (Continued)

The County awarded NSP funds to the Organization in the amount of \$1,400,000. The award was recognized by a note which was formally executed on September 16, 2010, for this amount, and is secured by Heritage Oaks Mobile Park. In the event of default of any terms or obligations pursuant to the mortgage, including the sale, conveyance, transfer, or assignment of any interest in the property referred to in the mortgage or the failure of the Organization to comply with the rental rates, occupancy restrictions and conditions specified in the mortgage, the total principal balance will be due and payable.

If the Organization is not in default of any terms or obligations of the mortgage within fifteen years, the principal balance shall be reduced by 6.666% of the original amount per year on the anniversary date of the note. On the fifteenth anniversary of the note, the balance due shall be reduced to zero. The note is noninterest bearing, except in the event of default as stipulated within the note.

The balance due on the contingent note payable at June 30, 2018 and 2017 was \$746,667 and \$840,000, respectively.

NOTE G - DUE TO ESCAMBIA COUNTY

During March 2011, the Organization entered into an agreement with Escambia County to receive funding in the amount of \$300,000 for ongoing renovations and infrastructure improvements to Heritage Oaks Mobile Home Park. The loan was refinanced in May 2013.

The loan matures in May 2026 and bears interest at a rate of 3%. The loan was formally executed on March 9, 2011, and is secured by Heritage Oaks Mobile Home Park real estate, buildings, improvements, and fixtures therein. Interest only payments in the amount of \$750 are due each month beginning June 1, 2011, and a balloon principle payment at maturity in the amount of \$300,000. The balance due to Escambia County at June 30, 2018 and 2017 was \$300,000 and \$300,000, respectively. Interest expenses totaled \$9,000 and \$9,750 for the years ended June 30, 2018 and 2017, respectively.

NOTE H - GRANTS

During the year ended June 30, 2018, the Organization was awarded a grant from Escambia County in the amount of \$81,250 for emergency work and a grant from Volunteer Florida in the amount of \$100,000.

During the year ended June 30, 2017, the Organization was awarded a grant from Escambia County in the amount of \$81,250 for emergency work and a grant from Volunteer Florida in the amount of \$13,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
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NOTE I - DONATED SERVICES AND OTHER IN-KIND CONTRIBUTIONS

The value of in-kind contributions and services as revenue in the consolidated financial statements and the corresponding program expenses for the years ended June 30, 2018 and 2017 are as follows:

	<u>Heritage Oaks</u>	<u>Preparedness & Mitigation</u>	<u>Response</u>	<u>Recovery</u>	<u>Faith - Based</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 48,113	\$ 32,517	\$ 12,223	\$ 15,403	\$ 7,226	\$ 10,212	\$ 1,121	\$ 126,815
Direct assistance	878	1,240	430	480	372	-	-	3,400
Rent	<u>1,723</u>	<u>1,149</u>	<u>1,149</u>	<u>1,149</u>	<u>1,149</u>	<u>718</u>	<u>144</u>	<u>7,181</u>
2018 Total	<u>\$ 50,714</u>	<u>\$ 34,906</u>	<u>\$ 13,802</u>	<u>\$ 17,032</u>	<u>\$ 8,747</u>	<u>\$ 10,930</u>	<u>\$ 1,265</u>	<u>\$ 137,396</u>

	<u>Heritage Oaks</u>	<u>Preparedness & Mitigation</u>	<u>Response</u>	<u>Recovery</u>	<u>Faith - Based</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 47,188	\$ 15,561	\$ 21,664	\$ 26,998	\$ 3,035	-	\$ 3,726	\$ 118,172
Direct assistance	4,713	9,242	6,402	500	-	-	-	20,857
Rent	<u>1,614</u>	<u>1,244</u>	<u>1,245</u>	<u>1,245</u>	<u>1,244</u>	<u>-</u>	<u>36</u>	<u>6,628</u>
2017 Total	<u>\$ 53,515</u>	<u>\$ 26,047</u>	<u>\$ 29,311</u>	<u>\$ 28,743</u>	<u>\$ 4,279</u>	<u>\$ -</u>	<u>\$ 3,762</u>	<u>\$ 145,657</u>

Additionally, a substantial number of volunteers donated significant amounts of time to the Organization in various capacities; however, these donated services are not reflected in the financial statements, since these services do not meet the criteria for recognition as contributed services.

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Tornado relief	\$ 29,601	\$ 48,727
Disaster relief	279	3,186
Special event	<u>1,000</u>	<u>-</u>
Total	<u>\$ 30,880</u>	<u>\$ 51,913</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMMUNITY ORGANIZATIONS ACTIVE IN DISASTERS, INC.
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NOTE K - RENTAL INCOME AND PROPERTY MANAGEMENT EXPENSE

The Organization contracts with a management company to manage the Mobile Home Park. Prior to 2013, the Organization managed the Park. The Organization recognized rental income and incurred property management expenses for the years ended June 30, 2018 and 2017, as follows:

	<u>2018</u>	<u>2017</u>
Rental income	\$ 447,657	\$ 392,842
Management fee	\$ 22,977	\$ 20,687

NOTE L - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for interest for the years ended June 30, 2018 and 2017 were \$9,000 and \$9,750, respectively.

There was debt forgiveness on the contingent note payable to Escambia County in the amount of \$93,333 each year during the years ended June 30, 2018 and 2017.

NOTE M - OPERATING LEASE

In 2011, the Organization entered into a lease for a facility in Pensacola under a month-to-month operating lease requiring annual rental payments of \$15,840, half of which is an in-kind donation of rent to the Organization. Rent expense for the year ended June 30, 2018 and 2017 was \$23,571 and \$21,647, respectively.

NOTE O - SUBSEQUENT EVENT

In October 2018, the Organization entered into a sales contract with an unrelated party to sell Heritage Oaks Mobile Home Park for \$1,650,000.